

Title Guaranty Division Board Meeting Minutes

June 5, 2007

Board Members Present:

Deborah Petersen
Surasee Rodari
Walter Murphy
Mitchell Taylor
Pat Schneider

Staff Members Present:

Loyd Ogle, TGD Director
Matt White, TGD Deputy Director
Becky Petersen, TGD Director of
Field Operations
Linda Berg, TGD Business Development
Director
Lon Kobernusz, IFA Accountant
Mark Thompson, IFA General Counsel
Joanna Wilson, TGD Senior Underwriter
Susan Mock, TGD Administrative Assistant
Tara Lawrence, TGD Legal Intern

Others Present:

Bob McCloney – United Land Title Association
Sandy McCloney – United Land Title Association
Vince Lintz – IFA Board President
Geraldine McLain – Abstract & Title
Gerald McLain – Abstract & Title
Chris Hoegh – Marion County Title Services
Charles Hendricks – Attorney
Bill Blue – American Abstract
Barb Carlson – Jones County Abstract
Jenny Houska – Jones County Abstract
Virginia Bordwell – IFA Board Member, Iowa Land Title Association, Washington Title
& Guaranty
Dan Kadrlik, Hancock & Winnebago County Abstract
Tim Reilly – Black Hawk County Abstract
James S. Davis – Iowa Land Title Association
James Gilliam – Attorney for Iowa Land Title Association
Adrian Knuth – ISBA
Sharon Minger – Grant Wood Avenue Abstract, Inc.
Beverly Skladzien – Grant Wood Avenue Abstract, Inc.
Randee K. Slings – Iowa Title Company
Joan Johnson – Iowa Title Company
Grant Dugdale – Attorney General's Office

Call to Order

Mr. Taylor called the June 5, 2007, meeting of the Title Guaranty Board of Directors to order at 10:41 a.m.

Mr. Ogle welcomed two new Board members, Ms. Pat Schneider, a real estate broker in Des Moines, and Ms. Deborah Petersen, an attorney in Council Bluffs.

Review & Approval of Board Meeting Minutes

Motion: On a motion by Ms. Schneider, seconded by Mr. Rodari, the Board unanimously approved the March 6, 2007, Board meeting minutes.

Review of Financial Reports, Transfer of Funds to IFA's Housing Programs, and Approval of Financial Reports

Mr. Ogle discussed the financial report. TGD's volume decreases a little in the summer and increases in the fall and winter months. Revenue through the five months leading up to March was higher than the same months one year ago. TGD's market share increased about 3.5 percent. TGD has not met its revenue targets for this year. TGD has \$402,000 available to transfer to IFA's Housing Programs.

Motion: On a motion by Ms. Deborah Petersen, seconded by Mr. Murphy, the Board unanimously approved the transfer of \$402,000 to IFA's Housing Programs and approved the Financial Report.

Resolutions Thanking Catherine Hult and Berneil Preul for TGD Board Service

Mr. Ogle noted the resolutions to recognize Catherine Hult and Berneil Preul for their service to the Board. The resolutions are as follows:

RESOLUTION

WHEREAS, Catherine Hult has served with distinction on the Title Guaranty Division Board of Directors from May 1, 2004 to April 30, 2007; and

WHEREAS, Catherine Hult has provided immeasurable assistance, guidance, and support, as well as offered her unique perspective, to the Title Guaranty Division during her time on the Board; and

WHEREAS, Catherine Hult has overseen many new programs vital to the growth and development of the Title Guaranty Division during her years of service to the Board; and

WHEREAS, the Title Guaranty Division desires to publicly express its gratitude to Catherine Hult for her years of dedicated, devoted service on the Board of Directors and guidance to the Title Guaranty Division;

NOW, THEREFORE, BE IT RESOLVED by the Board of the Title Guaranty Division of the Iowa Finance Authority as follows:

The Board hereby expresses its sincerest appreciation to Catherine Hult for her years of service she has provided to the Title Guaranty Division.

PASSED AND APPROVED this 5th day of June, 2007.

RESOLUTION

WHEREAS, Berneil Preul has served with distinction on the Title Guaranty Division Board of Directors from May 1, 1994 to April 30, 2007; and

WHEREAS, Berneil Preul has provided immeasurable assistance, guidance, and support, as well as offered her unique perspective, to the Title Guaranty Division during her time on the Board; and

WHEREAS, Berneil Preul has overseen many new programs vital to the growth and development of the Title Guaranty Division during her years of service to the Board; and

WHEREAS, the Title Guaranty Division desires to publicly express its gratitude to Berneil Preul for her years of dedicated, devoted service on the Board of Directors and guidance to the Title Guaranty Division;

NOW, THEREFORE, BE IT RESOLVED by the Board of the Title Guaranty Division of the Iowa Finance Authority as follows:

The Board hereby expresses its sincerest appreciation to Berneil Preul for her years of service she has provided to the Title Guaranty Division.

PASSED AND APPROVED this 5th day of June, 2007.

Motion: On a motion by Ms. Deborah Petersen, seconded by Mr. Murphy, the Board unanimously approved the resolutions.

Director's Report

Mr. Ogle gave the director's report. He started with the legislative update. There was a fair amount of activity this session. There were a few bills specific to TGD. One relates to the mortgage release program. The statute set the dollar amount limit of TGD's authority to release mortgages at \$500,000. The bill would allow the TGD Board to recommend and the IFA Board through administrative rule to set the limit of mortgage release. With the rollout of the commercial department, there will be a need to release mortgages substantially higher than \$500,000. The bill was passed, and the TGD Board now has the ability to set the amount of releases. The other bill was designed to clean up and provide some clarity around the mechanic's lien law in Iowa. TGD had to pay a few claims where mechanic liens had trumped first mortgages where they were stale. Mr. White also discussed this bill.

Mr. Ogle discussed the approval of reinsurer. TGD has the ability to contract with the reinsurer. TGD's reinsurer was the Florida Fund. With the Florida Fund, TGD had to follow Florida law and Florida statute on reinsured transactions. It created problems with flexibility in underwriting and an inability to be competitive with larger transactions. TGD and Stewart Title will negotiate an insurance treaty. At the next Board meeting, Mr. Ogle expects to have a fully executed contract.

Mr. Ogle discussed Pottawattamie County. He pointed out the memorandum, which is a staff recommendation that Mr. Ogle will make at the next IFA Board meeting, regarding the administrative rule change. Abstract and Guaranty Company has applied to the IFA Board for a waiver of one of the administrative rules. Iowa law does not define the term *abstract*. Because of that, the TGD and IFA Board define that term. The abstract company is applying to waive the administrative rule in terms of how they define an abstract that will allow attorneys and abstractors to function in Pottawattamie County. In Pottawattamie County, the abstract system never took root. TGD is not getting business in Pottawattamie County because traditional abstracts are not available. This application will allow the abstractors to use a report of title that would not include all matters of record but would include those matters that affect title. Ms. Becky Petersen also discussed the matter. Mr. Ogle said that the recommendation is that the waiver be limited to five years, that it can only be used when an abstract is not available, and it is conditional upon the TGD Board approving the search product.

Mr. McCloney, Mr. Reilly, Ms. Bordwell, and Mr. Kadrlik made queries about the search product, to which TGD staff responded. The TGD Board also discussed the issue further.

Deputy Director's Report

Mr. White delivered the deputy director's report. He gave the claims report. He gave some historical numbers. In Fiscal Year 2006, TGD paid 4.4 percent in claims, which included a large and unusual claim of \$104,000. That bumped TGD up from what would be under 2 percent. Historically, the numbers have been very low. Cumulatively, it's been under 1/10th of a percent. Since the last meeting, there were nine new claims. Mr. White took care of 12 old claims that were pending. Of the nine new claims, Mr. White took care of five of them.

Mr. White gave the mortgage release program report. He described the program to the new Board members. Mr. White and Mr. Ogle discussed aspects of the program with the Board.

Business Development Director's Report

Ms. Berg gave the business development director's report. The bulk of TGD's advertising this quarter is toward promoting free owner's coverage to lenders and everyone in the database. Ms. Berg ran the statistics from April through May 31. This year TGD issued 407 owner's certificates; last year, 206, in the same timeframe.

TGD is doing a test coop program with the Iowa State Bar Association in two counties, Des Moines and Marshall, to get people to call their attorney about real estate.

Field Operation Director's Report

Ms. Becky Petersen delivered the field operation director's report. Right now, about 75 percent of TGD's commitments and about 65 percent of TGD's certificates are being issued by attorneys and abstractors in the field. TGD has hit almost every corner of the state doing training in the last quarter getting users up to speed with the changes made to the CAP program. The closing protection letter program is also driving training requests. Training will start focusing on one-on-one training to attorneys in the field that are still not using the program but do a significant volume of work.

TGD did the first round of Title Guaranty Regional Academies, in Des Moines, Bettendorf, Sioux City, and Cedar Falls. It was a full day of real estate continuing legal education.

Ms. Becky Petersen also announced that TGD will roll out its compliance program, specifically the field audits.

Approval of the Title Guaranty Manual

Mr. Ogle said the Title Guaranty Manual was updated to what current practices are. Attached to the manual was a list of changes made after the manual was sent to the Board members, and Mr. Ogle requested that the manual be approved with those changes.

Mr. Ogle noted that the biggest change was in regard to the nonpurchase product. TGD received feedback from lenders, abstractors, and attorneys about wanting to use the nonpurchase product in situations when the titleholder changed, through dissolution of marriage or death. The proposed change will allow the nonpurchase product to be used in those circumstances.

Ms. Wilson discussed the changes made to the manual.

Mr. Murphy brought up one of the bullet points in the manual. It said that the abstractor applicant must consent to credit and criminal background investigations as being necessary by the Division, and the Division maintains the right to conduct these investigations by all means necessary. He noted that the Board dealt with that issue before and requested a copy of the prior minutes so reflecting that. Mr. Ogle said the language they had was the same as worked out before. Mr. Ogle noted that TGD has to have the right and discretion to do criminal and credit checks; otherwise, TGD cannot offer closing protection letters and cannot get reinsurance.

The Board took a break at 12:36 p.m. and reconvened at 1:25 p.m. Mr. Thompson joined the meeting at 1:25 p.m.

Two sets of minutes from prior meetings regarding the credit and criminal background investigations were brought before the Board. That language had been softened previously. Mr. Ogle said originally TGD had the right to conduct investigations on any employee plus their spouses, and that language was eliminated. Mr. Murphy said that as opposed to "must consent to the credit and criminal background investigations as deemed necessary by the Division," the language in the minutes says "participants shall cooperate to the extent practical with Title Guaranty to conduct credit checks and background checks as deemed necessary." Mr. Taylor and Mr. Murphy noted the language difference of "must consent" versus "shall cooperate." Mr. Ogle said it would be all right to amend the manual to reflect the language contained in the minutes of the December 5, 2006 meeting to be consistent.

Motion: On a motion by Mr. Murphy, seconded by Mr. Rodari, the Board unanimously voted to approve the Title Guaranty Manual with the language regarding the credit and

criminal background checks amended to reflect the language shown in the December 5, 2006 minutes.

Charles Hendricks Waiver Request

Mr. Hendricks presented his request for a 40-year title plant waiver to the Board. The following spoke against the waiver: Mr. McCloney; Ms. McCloney; Ms. McLain; Mr. Hoegh; Mr. Blue; Mr. Kadrlik; Mr. Reilly; Mr. Davis; Mr. Gilliam; Mr. Knuth; Ms. Slings; and Ms. Johnson. Ms. Bordwell also spoke to the issue.

There was lengthy discussion by the Board on the request.

Motion: On a motion by Ms. Schneider, seconded by Ms. Deborah Petersen, the Board, by a vote of 3-1, voted to grant Mr. Hendricks the waiver, subject to an order being drafted and approved by the Board. Ms. Schneider: Yes. Mr. Murphy: No. Ms. Deborah Petersen: Yes. Mr. Taylor: Yes.

A complete tape recording of the proceedings is available at the Title Guaranty office.

The Board took a break at 5:25 p.m. and reconvened at 5:32 p.m.

Sharon Minger Waiver Request

Mr. Ogle noted that this waiver request is from a non-attorney who is in the process of building a plant in Jones County and has come before the Board to request a temporary waiver so she can be a TGD participating abstractor now while she builds her plant. This waiver is specifically for Jones County.

Ms. Minger presented her request for the 40-year title plant waiver to the Board. She has been abstracting for 12 years. She said there is only one abstract company in Jones County and there is a demand for another abstract company. There is enough work to support two abstract companies.

Mr. Knuth and Mr. McCloney spoke in favor of the waiver. Ms. Carlson and Ms. Houska spoke against the waiver.

Motion: On a motion by Ms. Schneider, seconded by Ms. Deborah Petersen, the Board unanimously voted to grant Ms. Minger the waiver for a period of 12 months, subject to an order being drafted and approved by the Board.

A complete tape recording of the proceedings is available at the Title Guaranty office.

Special Telephonic Board Meeting

A special TGD telephonic Board meeting to approve the orders for the Hendricks and Minger waivers was scheduled for July 10, 2007, at 1:10 p.m.

Next Meeting Date and Time

The next Board meeting will be September 4, 2007, at 10:30 a.m. The following Board meeting will be December 4, 2007, at 10:30 a.m.

Adjournment

Motion: On a motion that was seconded by Ms. Schneider, the Board unanimously voted to adjourn at 6:24 p.m.

Dated this October 2, 2007,

Respectively submitted:

Approved as to form:

Loyd W. Ogle, Director
Title Guaranty Division

Mitch Taylor, Chair
Title Guaranty Division